

ANALYSIS OF ECONOMIC TRENDS IN THE REPUBLIC OF SERBIA (WITH FOCUS ON THE VRBAS MUNICIPALITY)¹

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Abstract

The world economic crisis, from the end of the last decade of current century, has led to a global recession, as well as to the fall of the values of all macroeconomic aggregates and indicators in large number of world countries. Many nations are faced with the problems of decline in production and export, expressed illiquidity of actors within the local economies, turbulences in the labour market, rapid fall of the living standard and other. Unfortunately, gradual recovery of the world economy was cut in 2011 by new global challenge embodied in the public debt crisis. As previously mentioned problems were also came to Serbia, the main goal of the paper is identified in the brief review of economic trends through the achieved macroeconomic aggregates (such as GDP, FDI, unemployment rate and other) in the last few years. During the presentation and analysis of the key macroeconomic aggregates was used the bottom-up approach (from national to the level of local communities), with a special focus to the economic trends in the municipality of Vrbas. Since that level of development and recovery of the national economy are significantly contained in the intensive attraction of financial assets (from domestic and international funds) and investment in new and recapitalization of existing holders of economic activities, a broader overview of realized investment trends in observed time and spatial frame (with assessment of realized investments in agriculture) it is also provided.

Key words: *macro-economic aggregates, up-bottom approach, Serbia, Vrbas municipality, investment.*

¹ Paper is a part of the research at the project no. III 46006 - Sustainable agriculture and rural development in the function of accomplishment of strategic goals of the Republic of Serbia within the Danube region, financed by the Ministry of Education, Science and Technological Development of the Republic of Serbia. Project period 2011-2014.

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Introduction

Efficiency in the implementation of the goals and measures defined in the Strategic plan of development of the Vrbas local community for the period 2014-2020 will depend in great extent on the level of achieved macroeconomic stability within the period of its realization. It is estimated that the mentioned period will be marked at the macroeconomic level with higher or lower degree of instability, as well as connected with several risks. To this is pointed by realized economic trends in the period of transition, which are additionally burdened with the effects of global economic crisis that started at the end of 2008, and still lasts. World crisis, initiated by the collapse on the real-estate market in the United States, spilled over to financial sector, and later to the real sector, what led to global recession and reduction of economic activity, in other words fall in production and exports, illiquidity, employment cuts, fall of living standard and rise of poverty. *The crisis has caused a decline of all macroeconomic aggregates and indicators, at all countries worldwide.* Economy in the world still has not succeeded to realise of the burden of previous crises, when in 2011 came to new crisis, best known as *the public debt crisis*. According to all, this crisis is much more serious, where the recovery process will be long, very slow and uncertain, accompanied by the deepening of the foreign trade exchange deficit, instability of the exchange rate, small capital accumulation, higher investment risk and illiquidity of economic environment. All mentioned aspects will additionally affect weakening of domestic economy, which has been already very fragile.

Macroeconomic aggregates are a system of global and synthetic indicators that quantify the structure, dynamics and results of the economic activity of certain economy. Main macroeconomic indicator of any economy is the GDP (gross domestic product), which represents a value of the sum of final goods and services produced during certain period in observed country. In Serbian statistical methodology, until 2006 were counted little different macroeconomic aggregates. So GDP was corresponded to the NP (national product), (*Subic et al., 2013*).

Republic of Serbia is in a transition stage, which should represent a radical turnover and real milestone in future development of national economy and all stakeholders within it. The development of a market economy can be accelerated by inflow of assets through investments in new and recapitalization of existing companies, as well as with consolidation of the financial system. However, many enterprises in Serbia still have not favourable business performances, what is manifested through decline in market share and low profitability, increasing of indebtedness, inadequate investment and increased

volume of diversified business activities vice the primary activity⁴. Although it is established a increscent investment trend (in the period 2006-2012, the average annual growth rate was 12.29%), macroeconomic indicators of investment trends in the Republic of Serbia show a higher investment risk in local companies, what disabled more dynamic investment process. By risk decreasing would be increased the attractiveness of investment, what is a stimulus for domestic and foreign investors, which estimate different combinations of risks and incomes.

The business environment within the region of Vojvodina, as well as within the whole Serbia, is much improved in last fifteen years (since 2001) by virtue of the adoption of a number of legal regulations. The main goals of law reforms that are in accordance with EU regulations are focused to easier conduction of business and safer investment process. In accession process to the EU adoption of many new reform regulations is expected, where for investors the most significant will be the laws from the area of land and building, as well as the regulations that are connected to industrial and technological parks (*Subic, 2012*). Market size, macroeconomic stability, business costs, human resources, geographical position and investment infrastructure are the most important among the many factors that create the municipality of Vrbas as one of the most attractive locations for business in this part of Southeast Europe. Municipality offers to all investors relatively good sales potential for several products of local economy (in first place products of agriculture and processing industry), both on world and national market. Mentioned arise from:

- Interim Trade Agreement and the Stabilisation and Association Agreement (SAA), which provide that in next six years it will be gradually established a free trade with industrial and agricultural products between Serbia and the European Union (EU);
- Free trade agreement established between Serbia and Russian Federation; Serbia and Belarus; Serbia and Turkey; Serbia and Kazakhstan; Serbia and countries member of the European Free Trade Association (EFTA);
- Agreement on mutual liberalization of trade with industrial and agricultural products, which was established among the countries of Central and South-Eastern Europe (SEE)⁵;
- General System of Preferences (GSP), program of approval of trade preferences that United States of America (USA) gives to their trade partners

⁴ Period of decomposition of the former Yugoslavia, war on its territory, and after that transition, affected termination of many companies (or work with a significantly reduced capacity) in the Republic of Serbia.

⁵ By access of Romania, Bulgaria and Croatia into the EU, CEFTA Agreement currently includes Albany, Bosnia and Herzegovina, Macedonia, Moldavia, Serbia and Montenegro.

with main goal to support their economic development (currently is used by more than 140 countries, including Serbia).

Therefore, there is a openness to any investor, which is specifically focused to the attraction of foreign direct investments, what will significantly increase the growth rate of gross domestic product (GDP) and gross value added (GVA) at the local level, as well as reduce the unemployment rate.

Compared with other countries in the region, the potential for investment attraction, according to the business costs, is relatively more favorable in the Republic Serbia, primarily because of⁶: *Lower tax rates* [income tax of 15%⁷; value added tax (general rate is 20%⁸, while the special rate is 10%⁹); tax on salaries of 10%]; *Cheaper communal products and services* (such as electricity, gas or water); *Quality and costs of labor*, which represent according to investors, one of the key reasons for investment in the Republic of Serbia (human resources are characterized by high productivity, excellent technical education and significantly lower labor costs); *Transport infrastructure* (European Transport Corridor VII, which links the EU countries with the Middle East); *Development of cross-border and regional cooperation* (Republic of Serbia is bordered by several EU member states: Croatia, Hungary, Romania and Bulgaria); *Closeness to European markets* (goods in a short time can be transported to and from the major European markets).

Working material and methodology

Conduction of observed research imposes the need for identification of data/information from many sources (scientific and statistical publications) that are before all related to the following thematic areas: macroeconomic aggregates, investments, economy, agriculture and demography.

In order to evaluate the realized investments in agriculture in the municipality of Vrbas, it was used the methodology which involves calculation of the volume of financial (cash) investments in fixed assets based on the following indicators¹⁰:

⁶ www.siepa.gov.rs

⁷ Income tax in some countries within the region is: 10% in Bulgaria; 16% in Romania; 19% in Hungary; 20% in Croatia.

⁸ Gross value added (GVA) – general rate, in some countries from the region is: 20% in Bulgaria; 24% in Romania; 25% in Croatia; 27% in Hungary.

⁹ Government of the Republic of Serbia (2013): Informacija o paketu mera za stabilizaciju javnih finansija i oporavak privrede, Ministry of Finance, Belgrade, Serbia.

¹⁰ Part of indicators is taken from methodology that was shown in monograph of the authors: Cvijanović, D., Hamović, V., Popović, V., Subić, J., Katić, B., Paraušić, V. (2007): *Mulifunkcionalna poljoprivreda i ruralni razvoj u AP Vojvodini*, IAE Belgrade, Serbia.

1. Achieved investments in agriculture per rural/agricultural inhabitant;
2. Achieved investments in agriculture per active agriculturalist;
3. Achieved investments in agriculture per registered agricultural husbandry;
4. Achieved investments in agriculture per unite of used agricultural land;
5. Achieved investments in agriculture per unite of arable land surfaces;
6. Achieved investments in agriculture per head of cattle.

Research procedure that follows the volume of realized investments on the territory of Vrbas municipality may be useful for any unit of local government within the Serbia.

Analysis of basic macroeconomic aggregates

In the process of transition towards market economy, the core concept of production has been abandoned in all countries where it was previously used. So, Statistical Office of the Republic of Serbia (SORS) was stopped to calculate and publish a data on the national product as macroeconomic aggregate from the narrower concept of production.

After the 2005, SORS has no longer published the data about GDP per each municipality for what there is certain justification, having in mind that at municipal level this indicator has very low explanatory power (Subic et al, 2013). Data of basic indicators of macroeconomic trends in the Republic of Serbia, for the period 2006-2012, are given by the next table (*Table 1*).

Beside the EU countries and the countries from the region, economic crisis has had also a great impact on the economic development of the Republic of Serbia.

Taking into consideration the incomplete transformation process and great delay for other transition countries, especially some developed European countries, period 2006-2012 was peculiarly difficult for the Serbian economy. Within the analyzed period, the decrease of investment funds has significantly slowed economic growth.

Table 1. Basic macroeconomic trends in the Republic of Serbia, period 2006-2012

| Indicators | Year | | | | | | | Average annual growth rate (in %) |
|---|----------|----------|----------|----------|----------|----------|----------|-----------------------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | |
| GDP, current prices ¹ , in mld. RSD | 1,962.1 | 2,276.9 | 2,661.4 | 2,720.1 | 2,881.9 | 3,208.6 | 3,348.7 | 9.3 |
| GDP, growth rate, in % ¹ | 16.5 | 16.0 | 16.9 | 2.2 | 5.9 | 11.3 | 4.37 | - |
| GDP, mil. EUR | 23,327.4 | 28,473.9 | 32,678.9 | 28,951.9 | 27,967.8 | 31,472.4 | 29,601.0 | 4.0 |
| GDP, per capita, in EUR | 3,147.4 | 3,857.4 | 4,446.0 | 3,954.7 | 3,835.7 | 4,350.6 | 4,111.8 | 4.6 |
| Average number of citizens (middle of year), in 000 | 7,411.6 | 7,381.6 | 7,350.2 | 7,320.8 | 7,291.4 | 7,234.1 | 7,199.1 | -0.5 |
| GDP, mld. RSD (current prices of previous year, ref. year 2010) | 2,702.6 | 2,848.1 | 2,956.8 | 2,853.2 | 2,881.9 | 2,927.1 | 2,882.5 | 1.1 |
| GDP, real growth, in % ¹ | 3.6 | 5.4 | 3.8 | -3.5 | 1.0 | 1.6 | -1.5 | - |
| FDI ² , net, in mil. EUR ³⁴ | 3,322.6 | 1,820.8 | 1,824.4 | 1,372.5 | 860.1 | 1,826.9 | 231.9 | -35.8 |
| FDI, growth rate, in % | 165.7 | -45.2 | 0.2 | -24.8 | -37.3 | 112.4 | -87.3 | - |
| FDI, % GDP | 14.2 | 6.4 | 5.6 | 4.7 | 3.1 | 5.8 | 0.8 | -38.4 |
| Value of EUR in compare to RSD, average for the period | 84.1 | 80.0 | 81.4 | 93.9 | 103.0 | 101.9 | 113.1 | 5.1 |
| Number of unemployed persons, average, in 000 ⁵ | 2,026.0 | 2,002.0 | 1,999.0 | 1,889.0 | 1,796.0 | 1,746.0 | 1,727.0 | -2.6 |
| Unemployment rate, MOR ⁶ | 20.9 | 18.1 | 13.6 | 16.1 | 19.2 | 23.0 | 23.9 | - |

Note: ¹ From January 2011, new methodology for GDP calculation is used; ² Foreign Direct Investments; ³ From 01.01.2010 is implemented general system of trade that involves all goods which enter/go out the economic territory of the country, except goods in transit. According to this are corrected data for 2006, 2007, 2008 and 2009; ⁴ From 2007 is applied new methodology for Balance of Payments; ⁵ Statistical Office of the Republic of Serbia was corrected data about employed persons from March 2009, between all because of correction of evidences of Republic Office for Health Insurance; ⁶ Annual data of SORS from the Survey about labor force for the citizens older than 15 years.

Source: Statistical Office of the Republic of Serbia (2014): *Bruto domaći proizvod (BDP) u Republici Srbiji 1997-2012* (<http://webzss.stat.gov.rs/WebSite/Public/PageView.aspx?pKey=61>); Ministry of Finance (2014): *Osnovni indikatori makroekonomskih kretanja* (www.mfin.gov.rs/pages/article.php?id=7161); National Bank of Serbia (2014): *Osnovni makroekonomski indikatori* (www.nbs.rs/internet/cirilica/80/index.html).

Although after the first crisis impact comes to obvious recovery of economic activities in the Republic of Serbia, macroeconomic indicators are still at the level below the pre-crisis, transition period 2006-2008. In 2011 has been achieved a slight recovery of the Serbian economy (growth of real GDP by 1.6%), but with presence of certain dose of risk of further deterioration, influenced by new crisis wave.

To impacts of global recession, EU has responded with new growth strategy up to 2020 (*Europe 2020*)¹¹, which is based on competitiveness, sustainability, knowledge and innovation, and social and territorial cohesion. In order to complete coordination of socio-economic and political goals of the country with the process of accession to the EU, Serbia has aligned its goals with the mentioned strategy.

As it was shown that previous growth model, based on increase of domestic consumption and import is unsustainable, it has been established a new model of economic growth based on industrial growth, investment and export, rapid reform processes and European integrations.¹²

A new impact of recession in 2012 has led to the emergence not only of the debt crisis in the European Union, but to the real decline of GDP in the Republic of Serbia (1.5%). In compare to 2011, it was also come to significant decrease in FDI (real decrease of 87.3% was recorded). Based on achieved negative oscillations in movement of observed macroeconomic parameters within the period 2006-2012, it may be noted that the macroeconomic environment in the Republic of Serbia is quite unstable. Exit from the crisis requires institutional and economic-political adjustments that would lead to a change in behavior of consumers and investors¹³.

Government has a key role in solving the problem of lack of confidence among market participants due to the market collapse. So, the statement that the market is capable to solve alone the emerged crisis only with short-term losses is unfounded. Without intervention from the state level, institutional adaptations and quality economic policy, market efficiency and stability can not be increased.

Effects of global economic crisis that affected the entire national economy in period 2006-2012 are reflected also to the economic situation in the Province. However, the Vojvodina region, in 2011, has larger share in creation of Republic GDP in compare to 2010 (i.e., it was achieved a increase of 0.8%).

Also, Vojvodina region, in 2012, has again larger share in creation of Republic GDP in compare to 2011 (i.e., it was achieved a increase of 0.6%), (*Table 2*).

¹¹ http://ec.europa.eu/europe2020/documents/related-document-type/index_en.htm

¹² Team of authors (2013): Program razvoja AP Vojvodine 2014-2020, Draft, Government of AP Vojvodina, Novi Sad, Serbia.

¹³ Bošnjak, M. (2011): Globalna finansijska i ekonomska kriza 2007-2010. i njen uticaj na privredu i finansije Srbije, Ministry of Finance of the Republic of Serbia, Belgrade, p. 4.

Table 2. Regional GDP¹⁴, period 2011-2012

| (Republic of Serbia/ Region) | GDP (current prices, mil. RSD) | | | Index | | Share (%) | | | GDP per capita (000 RSD) | | | Index level (RS=100) | | | Annual growth rate (in %) |
|------------------------------------|--------------------------------|-----------|-----------|-----------|-----------|-----------|-------|-------|--------------------------|------|------|----------------------|-------|-------|---------------------------|
| | 2010 | 2011 | 2012 | 2011/2010 | 2012/2011 | 2010 | 2011 | 2012 | 2010 | 2011 | 2012 | 2010 | 2011 | 2012 | |
| Republic of Serbia | 2,881,891 | 3,208,620 | 3,348,689 | 111.3 | 104.4 | 100.0 | 100.0 | 100.0 | 395 | 442 | 465 | 100.0 | 100.0 | 100.0 | 7.80 |
| Belgrade region | 1,152,005 | 1,271,691 | 1,326,547 | 110.4 | 104.3 | 40.0 | 39.6 | 39.6 | 703 | 772 | 797 | 177.8 | 174.6 | 171.4 | 7.31 |
| Vojvodina Region | 748,673 | 859,808 | 917,636 | 114.8 | 106.7 | 26.0 | 26.8 | 27.4 | 382 | 442 | 477 | 96.8 | 100.0 | 102.6 | 10.71 |
| Region of Šumadija and West Serbia | 562,911 | 610,143 | 635,037 | 108.4 | 104.1 | 19.5 | 19.0 | 19.0 | 276 | 301 | 315 | 69.9 | 68.2 | 67.6 | 6.21 |
| Region of South and East Serbia | 418,302 | 466,979 | 469,469 | 111.6 | 100.5 | 14.5 | 14.6 | 14.0 | 253 | 285 | 294 | 63.9 | 64.4 | 63.3 | 5.94 |
| Region KiM | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |

Source: SORS (2013): *Regionalni bruto domaći proizvod 2010-2011* (<http://webzrzs.stat.gov.rs/WebSite/Public/PageView.aspx?pKey=62>);
SORS (2014): *Regionalni bruto domaći proizvod 2011-2012* (<http://webzrzs.stat.gov.rs/WebSite/Public/PageView.aspx?pKey=62>).

¹⁴ Regional GDP represents regional equivalent of gross domestic product as the most important macroeconomic aggregate of some national economy and indicator of its productivity and efficiency in the production of goods and services required for different types of consumption. Sum of GDP of all regions is identical to the GDP of the Republic of Serbia.

After a focus on the region of Vojvodina, in accordance to the accounting principle in 2012, next can be concluded: Share in Republic GDP is 27.4%; With GDP per capita of 477.000 RSD, it has for 2.6% higher GDP per capita in compare to republic average (what is for about 5.9% higher amount in compare to data from 2010); Index is above the republic average level, what reflects relatively higher growth rates of this region in period 2010-2012.

In contemporary concepts of management and decision making, regional development includes three principles, which are in relation with¹⁵: Decentralization; Planning; Partnership.

Synergy of terms and actors on different levels of management is enabled by complete business environment that has to provide: System of strategic decision making on lower levels (*decentralization*); Planned management and targeted attraction of investments (*planning*); Establishment of network of public-private sector (*partnership*); Competitive advantages (of local area).

The Development Strategy of the Republic of Serbia up to 2020 is based on a new model of economic growth, which essence lies on sustainable and dynamic development of the industry that can easily fit into unique market of the EU and hold out competitive pressure of member countries. *Without a stable growth of the industry and its dominant influence on export and balance of payment, it is not possible to sustain economic growth and macroeconomic stability*, not only of Serbia, but also of the Vojvodina region (including the territory South Backa district and municipality of Vrbas). So, in the period up to 2020, economic growth and development will be based on next principles:¹⁶

- Dynamic and sustainable industrial growth and development (without dynamic industrial growth – *with an average growth rate of processing industry of 7.3%* - is not possible accomplish planned *real GDP growth of 5.8% in average per year*¹⁷, and with that reduce the gap within the level of development in compare to European countries);
- Pro-active role of the government - institutional establishment (specialization and/or diversification of industrial production and production of products with higher added value, which according to their quality and price find their place in the global market are the necessary preconditions for the growth);

¹⁵ Team of authors (2013): Program razvoja AP Vojvodine 2014-2020, Draft, Government of AP Vojvodina, Novi Sad, Serbia.

¹⁶ Team of authors (2010): Postkrizni model ekonomskog rasta i razvoja Srbije 2011-2020, USAID, FREN, MAT Belgrade, Serbia.

¹⁷ According to that, Vojvodina region can expect in average real annual growth of GDP of 7.9%.

- Improvement of the investment environment (attraction of large volume of FDI requires open economy and healthy market ambient suitable for foreign investments, greater savings on national level and creation of critical mass of small and medium-sized enterprises - SMEs – that will take over employees of unprofitable enterprises);
- Encouraging the faster development of entrepreneurship (through the promotion and support to establishment of new enterprises, development of human resources for competitive SMEs sector, different schemes of SMEs financing, development of SMEs competitive advantages oriented to export markets and development of stimulated environment for SMEs, higher employment and balanced regional development);
- Increase and restructuring of export (through significant structural changes in export, which is currently based on primary products and products of lower levels of processing);
- Reform of the system of education in accordance to requirements of national economy (establishment of education system that corresponds to the economy needs is not possible without strong relationship between employers, institutions responsible for education, scientific institutions and labor market);
- Active and dynamic cooperation between science and industry (the most effective method of productivity growth and structural changes in industry is innovation – conducting activities that will lead to establishment and provision of active and dynamic cooperation between research organizations and universities, on the one, and industry on the other hand, what will gradually lead to the creation of favorable conditions for start and implementation of important economic projects based on the research results and innovation - investments in new products, implementation of new technologies and processes, or activities that will provide significant improvement of existing products, processes or services);
- Reform of the labor market and employment policies, in order to reduce the labor force fiscal burden (especially for lower paid work), reaffirmation of sectoral/collective bargaining, with leading role of the industrial sectoral contracts in national system of collective agreements, management of responsible and predictable politics of minimal wages, increase of participation of assets for active labor market programs in GDP, especially for subsidies determined for new employment and training;
- Polycentric development of regional industrial centers and regional business infrastructure (through specific programs and system measures which will support polycentric development of industrial centers);
- Improvement of energetic efficiency;
- Environmental protection (through support of cleaner production, and reduction of pollution and pressure on environment).

General characteristics of total investments

Investment trends in the period 2006-2012 indicate to strong correlation between the political credibility of the country and investment risk. Foreign direct investment (FDI) can contribute to the faster modernization of equipment and production processes, having by that a impact on increase of investments' share in GDP. Factors that contribute to greater inflow of FDI are¹⁸: Highly educated labour force; High level of investment in scientific-research activity; Strong regional connections among companies; Easy adjustment on new technologies; State of physical infrastructure and level of telecommunication development.

The inflow of FDI in Serbia is characterized by remarkable unevenness in different country regions. Developed and more advanced areas, such as Belgrade and Vojvodina, attract much more capital in compare to poor and underdeveloped areas, such as majority of municipalities in Central Serbia. More attractive areas for foreign investments are developed territories, because of: location, or geographical position; profile of labour force; promptness and devotion of local administration; successful examples of foreign investments. Within the period 2006-2012 inflow of FDI into the Serbia was followed by downward trend (with exception in 2011 when, in compare to 2010, it was recorded growth of 108,84%), (*Table 3*).

Table 3. *Inflow of FDI in Republic of Serbia, period 2006-2012 (in mil. USD)*

| Year | World | Europe | Republic of Serbia | Share of the FDI inflow in Republic of Serbia | |
|------|-----------|---------|--------------------|---|-----------------------------|
| | | | | In FDI inflow in World (%) | In FDI inflow in Europe (%) |
| 2006 | 1,463,351 | 639,814 | 4,256 | 0.29 | 0.67 |
| 2007 | 2,002,695 | 906,531 | 3,439 | 0.17 | 0.38 |
| 2008 | 1,816,398 | 571,797 | 2,955 | 0.16 | 0.52 |
| 2009 | 1,216,475 | 404,791 | 1,959 | 0.16 | 0.48 |
| 2010 | 1,408,537 | 429,230 | 1,329 | 0.09 | 0.31 |
| 2011 | 1,651,511 | 472,852 | 2,709 | 0.16 | 0.57 |
| 2012 | 1,350,926 | 275,580 | 352 | 0.03 | 0.13 |

Source: *World Investment Report 2012 & World Investment Report 2013*

<http://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=171>

<http://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=588>

Such these trends have been consequence of both *internal* and *external* factors. Among internal factors, at first place were instability and underdevelopment of institutions, as well as political differences related to dynamic of reforms and European integrations, especially since the majority of EU member states have been

¹⁸ Republic office for development (2009): *Strategija prostornog razvoja Republike Srbije do 2020. godine (Održivi prostorni razvoj privrednih delatnosti)*.

adopted the independence of Kosovo (at the beginning of 2008). Relative abundance of capital until the end of 2007, as well as financial crisis and withdrawal of foreign, especially portfolio investors, since 2008, were the key external factors of FDI slowdown¹⁹. Up today, FDI in Serbia were mainly directed to conquest of domestic market through the production, services (banks, trading houses, insurance companies, leasing companies, etc.) and acquisition of some assets (real estates, facilities) that are effectuated at national market, while Greenfield investments were extremely limited.

Data analysis related to FDI inflow in the World, Europe and Serbia (in period 2006-2012) refers to fact that the share of FDI inflow in Serbia into the FDI inflow in World and Europe was very modest. According to that, mentioned indicator was recorded the lowest level in 2012 (0.03% in worldwide FDI inflow, or 0.13% in FDI inflow in Europe), while its highest level was recorded in 2006 (0.29% into the worldwide FDI inflow, or 0.67% in FDI inflow in Europe). But, even in 2006, when was achieved record FDI inflow in Serbia (4,256 mil. USD), that amount was lower than FDI inflow in Greece (5,355 mil. USD), Hungary (6,818 mil. USD), Bulgaria (7,805 mil. USD), or Romania (11,367 mil. USD).²⁰

In order to obtain the most realistic picture of previous investment activities on the territory of Vrbas municipality, in following tables and graphs were presented investments as on regional as well as on national level. Therefore, the research included a multi-year investment trend within the economy of the Vrbas municipality and characteristics of the investment process in the economy of South-backa District, region of Vojvodina and complete Serbia.

Observing the period 2006-2012, it can be concluded that the Vrbas municipality is characterized by weak and insufficient investment activity accompanied by visual annual oscillations. Total investments at the municipality level in 2012, despite the fact that it reflects a decrease compared to 2011 (for 19.82%), are more than doubled in compare to realized value in 2006. In other words, they reflect in 2012 an increase in amount of 970,847 thousands RSD (or 121.36%) compared to the total amount of realized investments in 2006 (*Table 4*).

¹⁹ Stepanović, B. (Editor in Chief), (2012): STRANE direktne investicije u Srbiji 2001-2011 = Foreign direct investments in Serbia 2001-201, Business info group, 2012 (Belgrade: Politika).

²⁰ World Investment Report 2012, available at:

<http://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=171>

Table 4. *Spatial distribution of totally achieved investments* (in 000 RSD)*

| Year | Unit of measure | Republic of Serbia** | Vojvodina Region | South-backa District | Vrbas municipality |
|------|-----------------|----------------------|------------------|----------------------|--------------------|
| 2006 | RSD | 340,795,050 | 94,317,316 | 36,361,563 | 799,999 |
| | % | 100.00 | 27.68 | 10.67 | 0.23 |
| 2007 | RSD | 482,340,888 | 115,475,861 | 38,065,109 | 1,542,695 |
| | % | 100.00 | 23.94 | 7.89 | 0.32 |
| 2008 | RSD | 566,836,857 | 135,206,492 | 52,622,804 | 1,852,824 |
| | % | 100.00 | 23.85 | 9.28 | 0.33 |
| 2009 | RSD | 455,485,248 | 103,034,938 | 42,558,027 | 1,032,556 |
| | % | 100.00 | 22.62 | 9.34 | 0.23 |
| 2010 | RSD | 425,400,001 | 100,024,608 | 52,339,704 | 1,326,219 |
| | % | 100.00 | 23.51 | 12.30 | 0.31 |
| 2011 | RSD | 493,100,031 | 124,208,129 | 53,419,549 | 2,208,483 |
| | % | 100.00 | 25.19 | 10.83 | 0.45 |
| 2012 | RSD | 608,508,303 | 150,382,309 | 59,862,549 | 1,770,846 |
| | % | 100.00 | 24.71 | 9.84 | 0.29 |

* Investments in fixed assets (data are referred to all legal units, except those one which according to the paragraph 7. of the Law of accounting and audit are marked as small), in current prices.

** Data for KiM are not included (in period 2006-2007).

Source: SORS (2007-2013): *Opštine (opštine i regioni) u Republici Srbiji 2006-2012*.

Total investments in Vrbas municipality in 2012 takes 2.96% of total achieved investments in South-backa District, or 1.18% of total investments achieved in the Vojvodina Region, or 0.29% in compare to Republic level.

The highest amount of investments in Vrbas municipality was achieved in 2011 (2,208,483 thousand of RSD), when its share in investments at the Republic level was 0.45%. On the other hand, the lowest amount of investments in the Vrbas municipality was achieved in 2006 (799,999 thousands of RSD), when its share in investments at the Republic level was 0.23%.

After calculation of average annual growth rates (for the period 2006-2012), it was turned out that the rate achieved on the Republic level (10.14%) is lower than the rate achieved at the municipality level (14.16%). So, it can be concluded that the higher investments caused higher economy growth of municipality in compare to the economic development of the complete Serbia. This fact points to lower unemployment, as well as to higher number of newly opened jobs within the municipal economy in relation to the Republican level.

Evaluation of achieved investments in agriculture

For evaluation of achieved investments in agriculture of Vrbas municipality, next indicators will be used: Achieved investments in agriculture per rural/agricultural

inhabitant; Achieved investments in agriculture per active agriculturalist; Achieved investments in agriculture per registered agricultural husbandry; Achieved investments in agriculture per unit of used agricultural land; Achieved investments in agriculture per unit of arable land surfaces; Achieved investments in agriculture per head of cattle. For more realistic evaluation of achieved investments in agriculture on the territory of Vrbas municipality, in following table are presented indicators that refer as on regional, as well as on national level (Table 5).²¹

Table 5. *Evaluation of achieved investments in agriculture*

| Indicator | UM | Territory | | | |
|--|-----|--------------------|------------------|----------------------|--------------------|
| | | Republic of Serbia | Vojvodina region | South-bačka district | Vrbas municipality |
| Achieved investments in agriculture per rural inhabitant* | RSD | 11.28 | 31.07 | 59.12 | 68.27 |
| Achieved investments in agriculture per active agriculturalist* | RSD | 17.42 | 53.25 | 103.25 | 132.37 |
| Achieved investments in agriculture per registered agricultural husbandry** ¹ | RSD | 26.87 | 80.55 | 79.17 | 176.35 |
| Achieved investments in agriculture per unit of used agricultural land** ¹ | RSD | 4.94 | 7.39 | 8.80 | 20.02 |
| Achieved investments in agriculture per unit of arable land surfaces** | RSD | 6.75 | 8.11 | 9.21 | 20.46 |
| Achieved investments in agriculture per head of cattle** ² | RSD | 2.80 | 6.18 | 5.83 | 7.19 |

Note: in category of head of cattle, cumulatively are written next heads: cattle, sheep and pigs. *Census 2002; **Census 2012.

Source: SORS (2013): *Popis poljoprivrede 2012, Knjiga I*; SORS (2013): *Popis poljoprivrede 2012, Knjiga II*; SORS (2011-2013): *Opštine (opštine i regioni) u Republici Srbiji 2010-2012*.

According to analysis of obtained results, it can be concluded that on the territory of Republic of Serbia, Vojvodina province, South-bačka District and Vrbas municipality, in compare to all observed indicators, the highest value is gained at achieved investments in agriculture per registered agricultural husbandry (or, at achieved investments in agriculture per active agriculturalists, for South-bačka District), while the lowest value is gained at achieved investments in agriculture per head of cattle, in next portion: Republic of Serbia (9.60:1.00); Vojvodina Region (13.03:1.00); South-bačka District (17.71:1.00); Vrbas municipality (24.53:1.00).

²¹ It should be aware that all data about mentioned indicators were not available for the same year, so it could be concluded that their comparison does not have sense. However, comparison is performed based on the assumption that the differences are not large, so that similar results will be also obtained in the case that all data for 2012 are available.

Conclusion

Summarizing the macroeconomic trends from the last decade, it can be concluded that the economic growth and development were taking place in the parallel attempt to achieve growth of citizens and public consumption, and on other side through the market reforms, privatization and inflow of FDI to establish institutional and material assumptions for sustainable development. However, if achieved results, for the period 2006-2012 are observed, derives conclusion that they were, at the best, partial. Achieved average annual GDP growth rate of 1.8% looks like at first sight acceptable, but it is still insufficient to compensate large development gap from 90's. On the other hand, the great problem is also reflected through the unfavorable structure of creation and use of a slightly growing GDP, what leads to increase of foreign economy imbalance due to the growing foreign trade and current account deficit. In observed period, the major component of economic growth was services. Although the total value of investments in Vrbas municipality in 2012, in compare to 2010, reflects growth, their participation in the total sum of investment on Republic level has been decreased. Reduction of share is caused primarily by weak growth of investments in Vrbas municipality in relation to increase of investment activity in Serbia.

Indicators of achieved investments in agriculture assessment, point to the fact that municipality is on significantly higher level in compare to republic, Vojvodina region and South-backa district level in all observed indicators (with special accent on realized investments in agriculture per unit of used agricultural land). So, it can be said that from the aspect of sustainable development, agriculture of the Vrbas municipality has greater contribution than the same indicator on the levels of Serbia, Vojvodina region, or South-backa district. Within the basic scenario of the future development, in the period up to 2020, the domination of consumption growth will be replaced by the dominance of investment growth (what will assume that after the candidate status, Serbia will become a full EU member, what will, at the end, brought to easier use of all economic benefits that come from this political engagement).

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